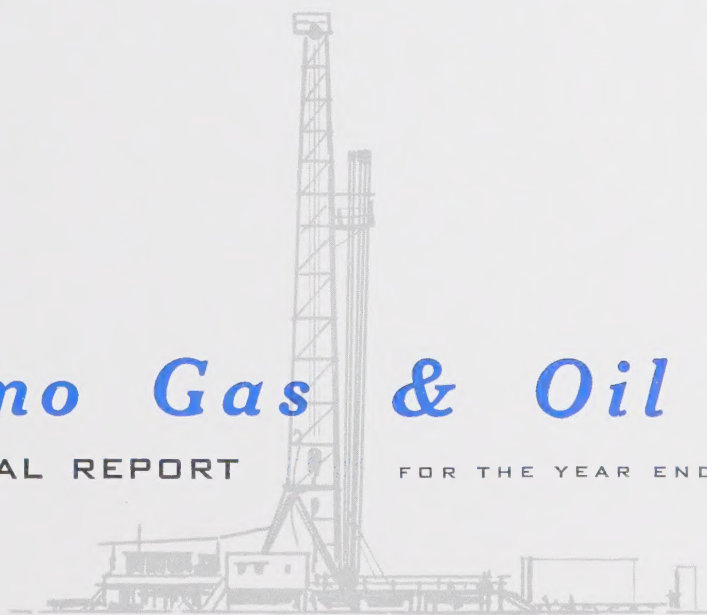


Permo Gas & Oil Limited

ANNUAL REPORT

FOR THE YEAR ENDED AUGUST 31, 1969



A member of the DYNAMIC GROUP

ANNUAL REPORT

August 31, 1969

Permo Gas & Oil Limited

(Incorporated under the laws of Ontario)

*A member of the Dynamic Group**

DIRECTORS ROBERT CLIVE BROWN, *Calgary*
FRANK BROWN, *Calgary*
ARCHIBALD PARK NEWALL, JR., *Calgary*

OFFICERS ROBERT CLIVE BROWN, *President*
ARCHIBALD PARK NEWALL, JR., *Vice-President*
ERIC F. LOWICK, *Secretary*
ROGER D. PAUGH, *Treasurer*
GORDON WALDIE, Q.C., *Assistant Secretary*

HEAD OFFICE 210 - 736 - 8TH AVENUE S.W.
CALGARY 2, ALBERTA

AUDITORS CLARKSON, GORDON & CO., *Calgary*

BANKER THE ROYAL BANK OF CANADA, *Calgary*

REGISTRAR THE CANADA TRUST COMPANY, *Toronto*

TRANSFER AGENTS THE CANADA TRUST COMPANY, *Toronto*
NATIONAL TRUST COMPANY, LIMITED, *Calgary*

SHARES LISTED TORONTO STOCK EXCHANGE, *Toronto*

* The term "Dynamic Group of Companies" is used to refer to the following companies collectively: Permo Gas & Oil Limited and its subsidiaries, New Continental Oil Company of Canada Limited and Consolidated East Crest Oil Company Limited, together with affiliated companies, Dynamic Petroleum Products Ltd., Royal Canadian Ventures Ltd., Mill City Petroleums Limited, Crusade Petroleum Corporation Limited, Dynalta Oil & Gas Co. Ltd. and Dynamic Mining Exploration Ltd. (No Personal Liability). These companies are separate and distinct Canadian corporations having an interlocking directorate, interlocking share positions, common management and the same executive offices.

TO THE SHAREHOLDERS:

We are pleased to present to our shareholders the annual report and consolidated financial statements of the company and its subsidiaries, New Continental Oil Company of Canada Limited and Consolidated East Crest Oil Company Limited, for the year ended August 31, 1969.

SHAREHOLDER RELATIONS

Your directors are very cognizant of the fact that the year 1969 has been a year of unusual interest and concern to our shareholders. Vast numbers of letters and inquiries have been received and answered dealing for the most part with a uranium discovery in northern Saskatchewan by Gulf Minerals Company and widely fluctuating prices in the open market trading of our speculative securities.

In our last annual report we indicated that our exploration activities would be largely directed towards the search for base and precious metals and in this regard our shareholders must realize and appreciate that while there are similarities between oil and mineral prospecting, there are even bigger differences. In the case of an oil discovery, and since oil is a liquid, you can determine quality immediately; you can, if you want, begin producing the oil right away and the extent of the discovery can generally be determined fairly quickly by the drilling of stepout wells. On the other hand in the case of uranium for example, particularly in a vein-type deposit, the grade of the mineralization can vary drastically in a matter of a relatively few feet. You have to drill a lot of holes to get an average and furthermore uranium doesn't flow to you - you have to go to it and you have to dig out every bit of it. For these reasons Gulf Minerals Company, a subsidiary of Gulf Oil Corporation, has been actively engaged since October, 1968 (when an exploratory hole was drilled in the Wollaston Lake area of the Province of Saskatchewan in which ore grade uranium mineralization was encountered) in determining the extent of the deposit, and evaluation drilling is continuing. When Gulf has completed its studies pertaining to assured reserves, mine and mill feasibility, markets and other economic factors, its decision will be announced and at that time, but not before, will we be able to inform our shareholders.

The Financial Times of Canada, based on figures for the twelve months ended September 30, 1969, ranks Permo as No. 40 in the "top hundred" most active stocks on the Toronto Stock Exchange according to the cumulative value of shares traded. This interest in our securities is gratifying but our shareholders must not look to the directors and officers of the company for an explanation of fluctuating market prices. We are very optimistic that our efforts in the mining industry and the uranium discovery in Saskatchewan in particular will materially affect the future prosperity of the company and its subsidiaries and will eventually lead to some stabilization of prices in the open market trading of our securities. We will continue to keep our shareholders

informed as to important developments but we cannot predict the extent or duration of opposing factors such as anti-inflation pressures, etc.

EXPLORATION

During the year under review the company's subsidiaries and associated companies have participated, at little cost to themselves, in extensive widespread mineral exploration programs in the Provinces of British Columbia, Saskatchewan, Manitoba and in the Northwest Territories. These programs which are covered in greater detail elsewhere in this report have resulted in proving up additional reserves of ore around the Gulf Minerals Rabbit Lake uranium discovery, several new uranium prospects in the vicinity of, or on trend with, the Gulf Minerals Rabbit Lake discovery which are now being evaluated by diamond drilling, significant discoveries of uranium and other minerals in the Baker Lake region of the Northwest Territories, a significant discovery of porphyry type copper mineralization in the Barriere Lake area near Kamloops, British Columbia and in outlining numerous other mineral prospects in western Canada to be diamond drilled commencing early in 1970.

Combined operations of the company and its subsidiaries during the year resulted in a net profit of \$115,202 as compared with a net loss of \$69,116 during the preceding year. Consolidated working capital increased during the year from \$94,337 to \$323,947.

FINANCIAL

Effective March 1, 1964 Permo sold its interest in producing properties in the Fort St. John and Southeast Fort St. John gas fields of the Province of British Columbia for the sum of \$989,700, subject to the right to receive 90% of net income accruing to the interest disposed of after the purchaser has recovered \$1,094,500 out of such net income. As at August 31, 1969 the purchaser has recovered \$825,093 leaving a balance of \$269,407 to be recovered before Permo will be entitled to this source of revenue.

GENERAL

The directors wish to express their appreciation to the shareholders for their interest in the affairs of the company and to the employees for their loyalty and personal interest in our activities.

On behalf of the Board,

R. C. BROWN

President

February 2, 1970.

MINING EXPLORATION AND DEVELOPMENT

Following is a regional summary of the mining exploration and development ventures in which the company has participated during the year under review, either through its subsidiaries, New Continental Oil Company of Canada Limited and Consolidated East Crest Oil Company Limited, or in its own right. The various regions and areas are illustrated by maps throughout this report.

BRITISH COLUMBIA

In the Province of British Columbia the Dynamic Group of companies, which includes Permo and its subsidiaries, operates under the name of Royal Canadian Ventures Ltd. from an office in Kamloops. An active exploration program was continued in 1969 and several new properties were added to the companies' holdings. Activities have been largely centred around the Kamloops area and northward as far as the Babine Lake area where a total of 1,180 mineral claims are held by the Group in 23 separate properties of which 3 are scheduled for diamond drilling commencing in January 1970. The various properties are shown by areas on the map of British Columbia accompanying this report and following are more detailed particulars pertaining to certain of these areas. The company's subsidiaries have an aggregate 28.6% working interest in these properties with the exception of areas 18, 23 and 24.

Areas 8 & 10

These two areas comprising a total of 32 mineral claims have been studied by geophysical, geological and geochemical surveys during the past summer and anomalous areas have been outlined. Present plans call for diamond drilling on both properties commencing in the month of January 1970. Both are considered copper prospects.

Area 19

This area comprises 73 mineral claims and 2 mineral leases located in the Iron Mask area,

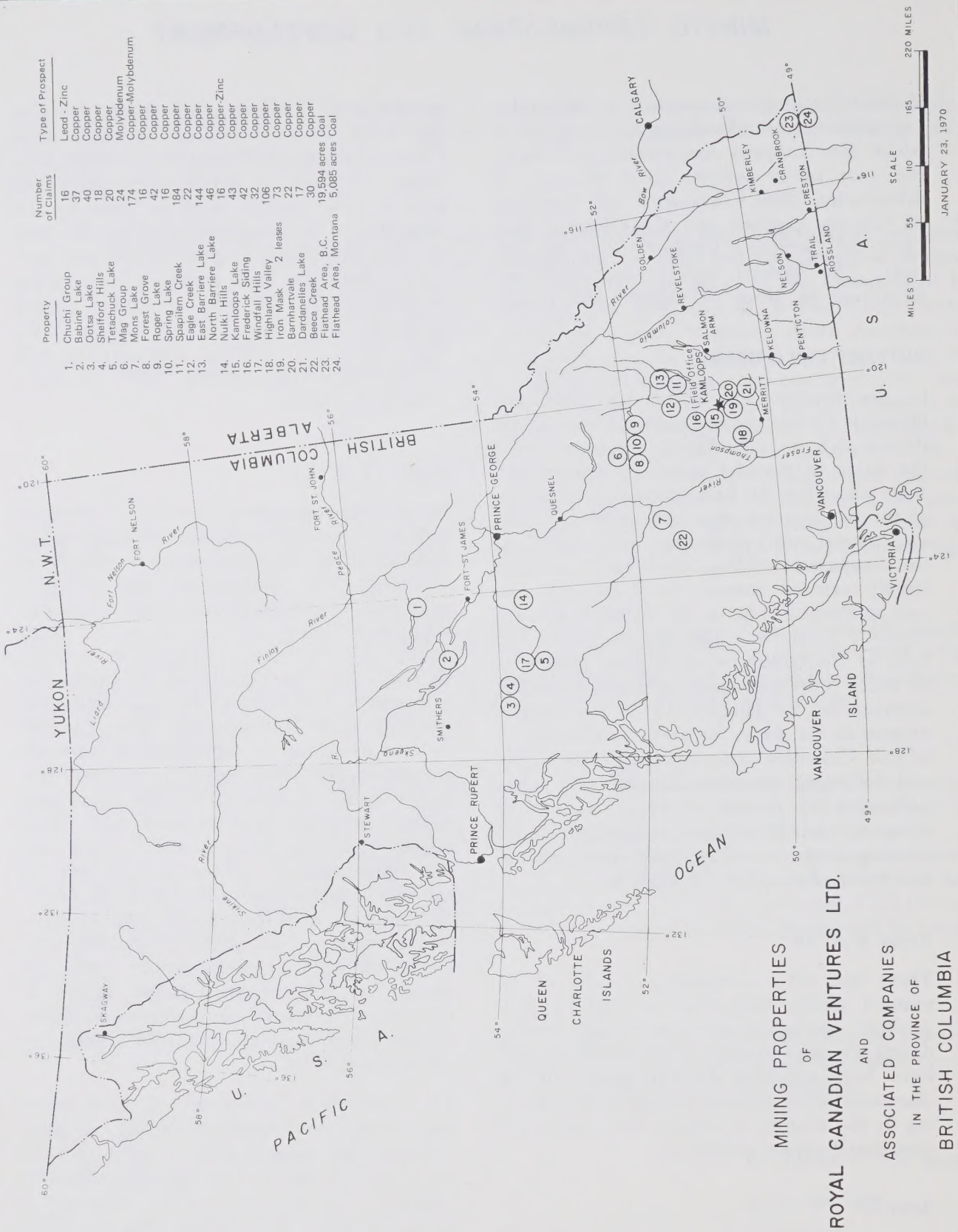
southwest of Kamloops, B.C. An exploration agreement has been entered into with Great Plains Development Company of Canada Ltd., under the terms of which Great Plains can earn a 60% interest in these lands by the expenditure of certain funds over the next 3 years. Geophysical, geochemical and geological work has been conducted over some of these lands and two interesting copper anomalies have been outlined. Great Plains has advised the Group that drilling will commence during January 1970 on these anomalous zones.

Areas 11 & 13

These areas comprising a total of 374 mineral claims are located in the Barriere Lake region approximately 50 miles north northeast of Kamloops, B.C. During the past summer, geophysical, geological and geochemical surveys were conducted on certain of these lands, namely those designated as East Barriere Lake on the map accompanying this report. Five vertical diamond drill holes totalling 2,200 feet were put down on 400-foot centres on a geochemical anomaly approximately 9,000 feet long by 2,000 feet wide. These showed extremely interesting copper mineralization in each hole. Two porphyry type mineralized zones are indicated, one approximately 100 feet in thickness and the other approximately 50 feet in thickness. Chemical assays of these zones yielded copper values ranging from 0.20% to 0.44%, with minor amounts of molybdenum, gold and silver. An induced polarization survey is planned to determine the direction and extent of the mineralized zone and as a guide to follow-up drilling.

An exploration agreement is now being negotiated with a Canadian mining company whereby that company has a right to earn up to a 51% interest in approximately 140 mineral claims of the total by carrying out an exploration and drilling program. This work is scheduled to commence in April, 1970.

Property	Number of Claims	Type of Prospect
1. Chuchi Group	16	Lead - Zinc
2. Babine Lake	37	Copper
3. Ootsa Lake	40	Copper
4. Shelford Hills	18	Copper
5. Tetachuck Lake	20	Copper
6. Mag Group	24	Molybdenum
7. Mons Lake	174	Copper-Molybdenum
8. Forest Grove	16	Copper
9. Roger Lake	42	Copper
10. Spring Lake	16	Copper
11. Spapitem Creek	184	Copper
12. Eagle Creek	22	Copper
13. East Barriere Lake	144	Copper
14. Nulki Hills	46	Copper
15. Kamloops Lake	16	Copper-Zinc
16. Frederick Siding	43	Copper
17. Windfall Hills	42	Copper
18. Highland Valley	32	Copper
19. Iron Mask	106	Copper
20. Barnhartvale	73	Copper
21. Dardanelles Lake	22	Copper
22. Beece Creek	30	Copper
23. Flathead Area, B.C.	19,594 acres	Coal
24. Flathead Area, Montana	5,085 acres	Coal



MINING EXPLORATION AND DEVELOPMENT

NORTHWEST TERRITORIES

During 1969 the Dynamic Group initiated an active exploration program in the Northwest Territories and from this work the following programs are now in the final stages of preparation for 1970.

Nonacho Area

Some 300 mineral claims have been staked in this area and a work program is being carried out by Canadian Superior Exploration Limited who have the right to earn a 51% interest therein by the expenditure of certain exploration funds. An active exploration program consisting of geophysical, geological and geochemical studies has been undertaken this past summer and some drilling has been done. The winter's program, consisting of further geophysics and drilling commenced early in January 1970, and one drill is now on the site. The company's subsidiaries have an aggregate 28.6% of the interest held by the Dynamic Group in these properties.

Baker Lake Area

In this area four mineral prospecting permits each containing approximately 165,000 acres are held by the Dynamic Group and partners. The location of the permits, the participants and their respective interests are shown on the map of this area accompanying this report. In addition, 75 mineral claims are held by the same participants.

Shallow test drilling on two anomalous areas has yielded very encouraging uranium results

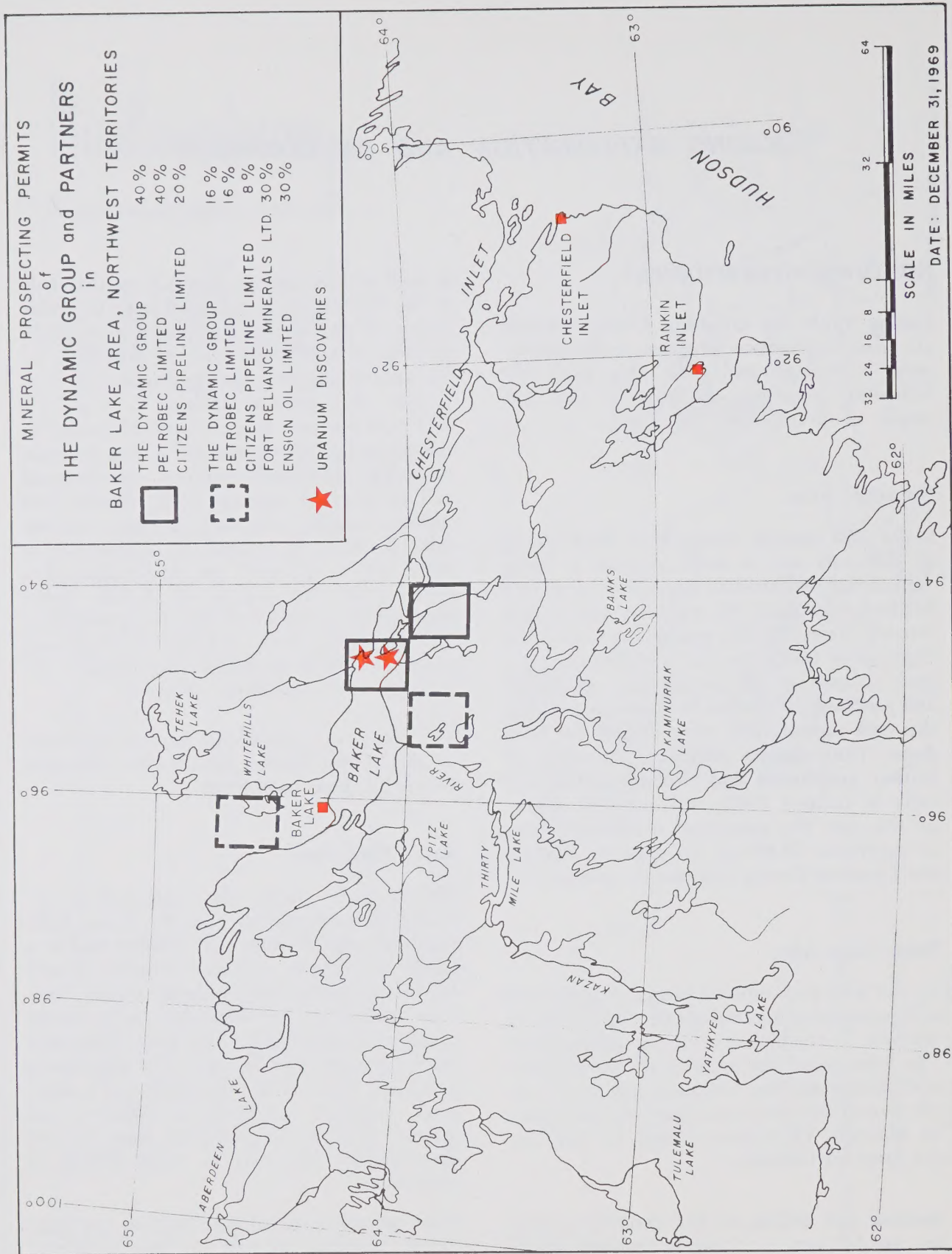
as well as base metals possibilities. One hole in the first anomaly averaged over its entire length of 46 feet, by chemical analysis, 1.54 pounds of U_3O_8 per ton. A drill hole on the second anomaly averaged over a 22 foot section, by chemical analysis, 6.76 pounds of U_3O_8 per ton. Several hundred anomalies remain to be investigated and a large program including geological mapping, geochemical and geophysical surveys, both airborne and surface, together with deep drilling on known mineralization is planned to commence in April, 1970. All work on this program has been under the control of A.C.A. Howe International Limited as consulting geologists in this area, while Scintrex Limited and Geoterrex have provided geophysical contracting and consulting services.

The company's subsidiaries have an aggregate 28.6% of the interest held by the Dynamic Group in these properties.

Kazan Falls Area

The Dynamic Group has conducted an extensive airborne survey over the Kazan Falls region of the Northwest Territories and as a result of surveys and considerable ground follow-up, some 800 mineral claims have been staked on the anomalous areas where uranium mineralization has been delineated on the ground. The Group is now negotiating a farmout venture on these lands and a major work program consisting of airborne and ground geophysics, geological mapping and geochemistry, as well as deep drilling is envisioned.

The company's subsidiaries have an aggregate 28.6% working interest in this property.



MINING EXPLORATION AND DEVELOPMENT

SASKATCHEWAN AND MANITOBA

NORTHERN SASKATCHEWAN

Area 1

Since Gulf Minerals Company made their initial uranium discovery in late 1968, they have undertaken a multi-phase operation on the lands in which the Dynamic Group maintains a net profits interest. Both Gulf and ourselves are tremendously enthusiastic about the results obtained to date.

As a result of their 1968 exploration program, Gulf selected a site for a deep test which they drilled to in excess of 5,000 feet on one of the three permits located in the centre of the Athabasca Sandstone Basin. No information has been released as yet on the results of this test. The program for the eastern permits, which contain in excess of 1,240,000 acres, was broken down into two parts - a general exploration program over the main portion of the lands and an exploration and development program on the discovery area now known as the Rabbit Lake deposit. The general exploration program is being conducted out of the Gulf City camp as an independent operation, with selected personnel experienced in modern geological and geophysical methods and the Rabbit Lake development is being conducted out of a new camp located at the deposit where modern permanent buildings have been constructed. Drilling on this deposit commenced in February, 1969 and continued with three drills on a 24-hour basis until the end of October, 1969 when drilling was suspended over the freeze-up period.

Initial drilling was done to determine the length of the ore body; however, when some 1,600 feet of strike length had been obtained, the program was changed to in-fill drilling to provide information for calculating ore reserves, ore grade, mining costs and other economic studies necessary to determine mine and mill feasibility. At the present time Gulf geological, geophysical and engineering personnel are actively engaged in studying and correlating the results obtained to date on the Rabbit Lake ore body and in expediting the winter program which commenced on January 5, 1970. The program will allow drilling over water areas while they are frozen and will permit Gulf to further delineate the bounds of the present ore body. At the present time five diamond drills are in operation evaluating this ore body.

Independent of this operation, a winter drilling program was commenced on January 5,

1970, by Gulf Minerals on several of the uranium prospects located during the year as a result of the general exploration program. Three drills will be employed on this project during the winter program, each located on a separate prospect.

Shareholders will be kept advised as Gulf releases further details of its Rabbit Lake ore body and the scheduled exploitation thereof.

Permo, through its subsidiary companies, has an aggregate direct 25% interest in 20% of the net profits accruing under the terms of the Gulf Minerals agreement.

Area 2

This area comprises two mineral exploration permits held jointly by New Continental Oil Company of Canada Limited and Royal Canadian Ventures Ltd. Under the terms of an agreement entered into with Westburne Petroleum & Minerals Ltd. (formerly Excel Petroleum Ltd.), a subsidiary of Westburne Industries Ltd., Westburne has acquired a 40% undivided working interest in each permit subject to their expending on each permit on or before December 31, 1972, the sum of \$850,000 by way of exploration and development. Royal Canadian Ventures Ltd. is the operator of this project. New Continental Oil Company of Canada Limited has a 20% working interest in this property.

Certain of the anomalous areas on these lands have been selected for a winter geophysical and drilling program which commenced on January 5, 1970 and one diamond drill is now on the property with further equipment to be added as required. The remainder of the airborne results not evaluated this year will be followed up in a normal 1970 mineral exploration program with diamond drilling to be conducted on anomalies as they are prepared for drilling during the season.

The geophysical operations, both airborne and ground, were carried out by Scintrex Limited of Toronto who are our Geophysical Consultants for the projects. The geological operations were carried out by J.K.B. Booth and Associates of Toronto, who are our Geological Consultants for the project.

Area 3

This area comprises one mineral exploration permit held jointly by Royal Canadian Ventures Ltd. and New Continental Oil Company of Canada Limited in which New Continental Oil Company of Canada Limited has a 20% working interest. The exploration

MINING EXPLORATION AND DEVELOPMENT

of this area was co-ordinated with that of Area 2 and contiguous lands in Area 4 of Northern Manitoba. The nature and extent of this exploration program has already been covered herein under Area 2.

Area 7

This area comprises three mineral exploration permits held in the name of Dynamic Petroleum Products Ltd. The company's subsidiaries have an aggregate 25% interest in these permits which contain approximately 400,000 acres located on the southwest end of the Wollaston Lake fold belt.

During the summer of 1969 an airborne survey was conducted by Scintrex over these lands with electromagnetic, magnetic and spectrometer systems installed in a helicopter. Flight lines were flown at right angles to the strike of the formation on a quarter-mile spacing. During the same period our geological crews were on the ground checking anomalies as these became available and generally mapping the permits. Some radioactive anomalies were checked out on the ground with one showing as a prime prospect. Although time did not permit detailed evaluation of this prospect, surface sampling indicated uranium mineralization over considerable length and width. This prospect plus the remainder of the results from the 1969 airborne program are scheduled for evaluation during our 1970 exploration program.

Area 9

This area comprising 27,635 acres, lies in the Head Lake region, northwest of La Ronge, Saskatchewan, in proximity to a recently announced nickel discovery. Airborne magnetics and electromagnetics have been flown over these properties and further surface work on airborne anomalies is now being considered. The company's subsidiaries have an aggregate 28.6% interest in this property.

NORTHERN MANITOBA

Area 4

This area comprises four mineral reservations held by Royal Canadian Ventures Ltd., New Continental Oil Company of Canada Limited, Dynamic Petroleum Products Ltd. and Permo Gas & Oil Limited. The company and its subsidiary, New Continental Oil Company of Canada Limited, have an aggregate 14% interest in this property. The exploration of this area was co-ordinated with the programs conducted on Areas 2 and 3.

Area 5

This area comprises six mineral reservations held by Dynamic Petroleum Products Ltd. and Permo Gas & Oil Limited containing approximately 1,110,500 acres. The company has a 16% interest in the property.

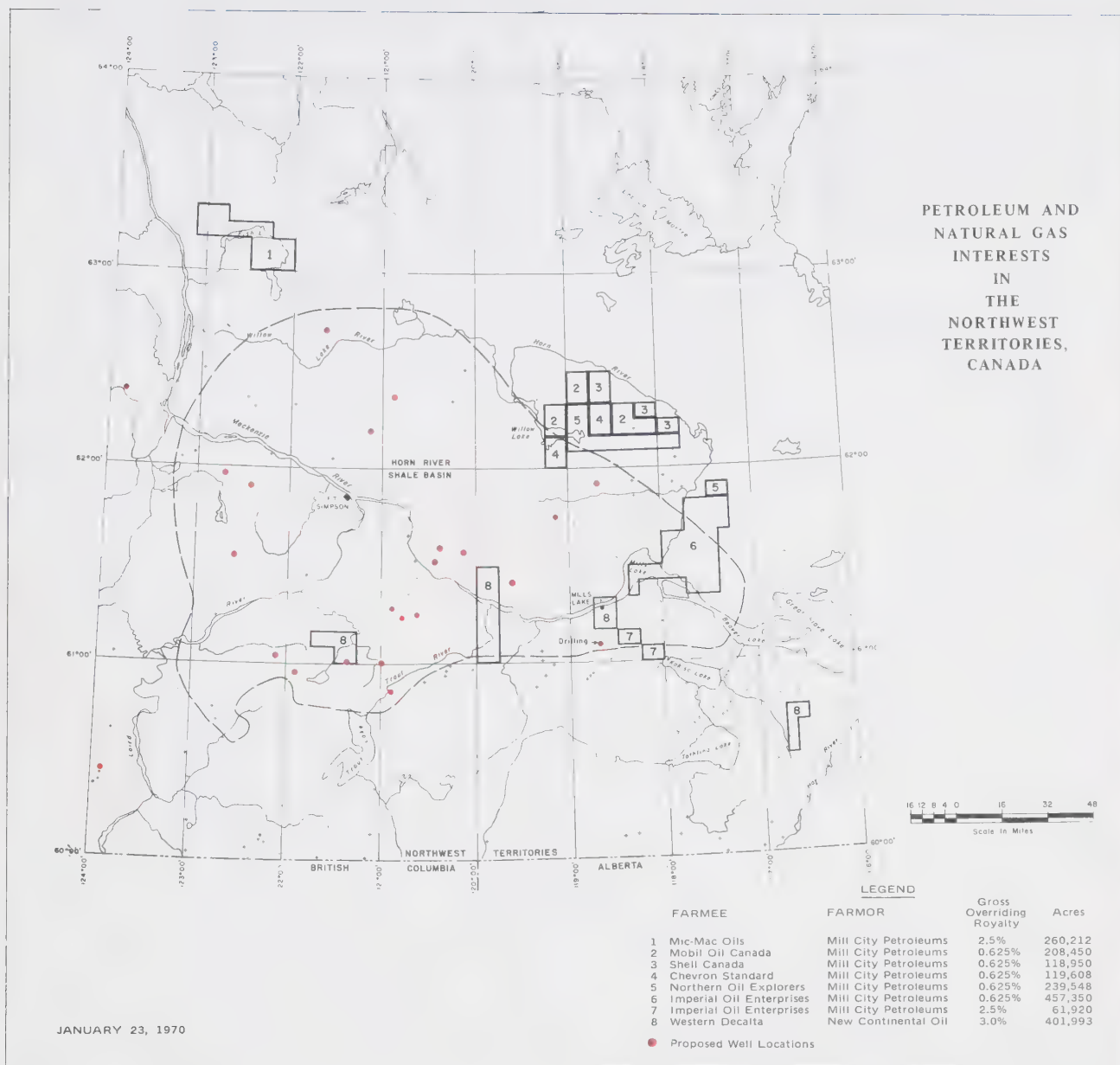
During 1969 an exploration program consisting of a combined airborne electromagnetic, aeromagnetic and spectrometer survey was conducted over all of the lands with flight lines on a quarter-mile spacing. This work was co-ordinated with the program discussed previously and conducted by Scintrex Limited and J.K.B. Booth & Associates. Anomalous areas from this survey were located on the ground and after geological evaluation and rating, certain ones were covered by ground geophysical parties. At the same time, ground geological parties conducted mapping, rock sampling and detailed geological examination of airborne and ground anomalies. The remainder of the airborne results not evaluated in 1969 will be followed up in the normal 1970 program with diamond drilling to be conducted on anomalies as they are prepared for drilling during the season. No winter program has been finalized as yet.

Area 6

This area comprising 5 mineral reservations held by Dynamic Petroleum Products Ltd., Dynalta Oil & Gas Co. Ltd., Crusade Petroleum Corporation Limited and New Continental Oil Company of Canada Limited contains approximately 600,000 acres. The company's subsidiary, New Continental Oil Company of Canada Limited, has a 25% interest in this property.

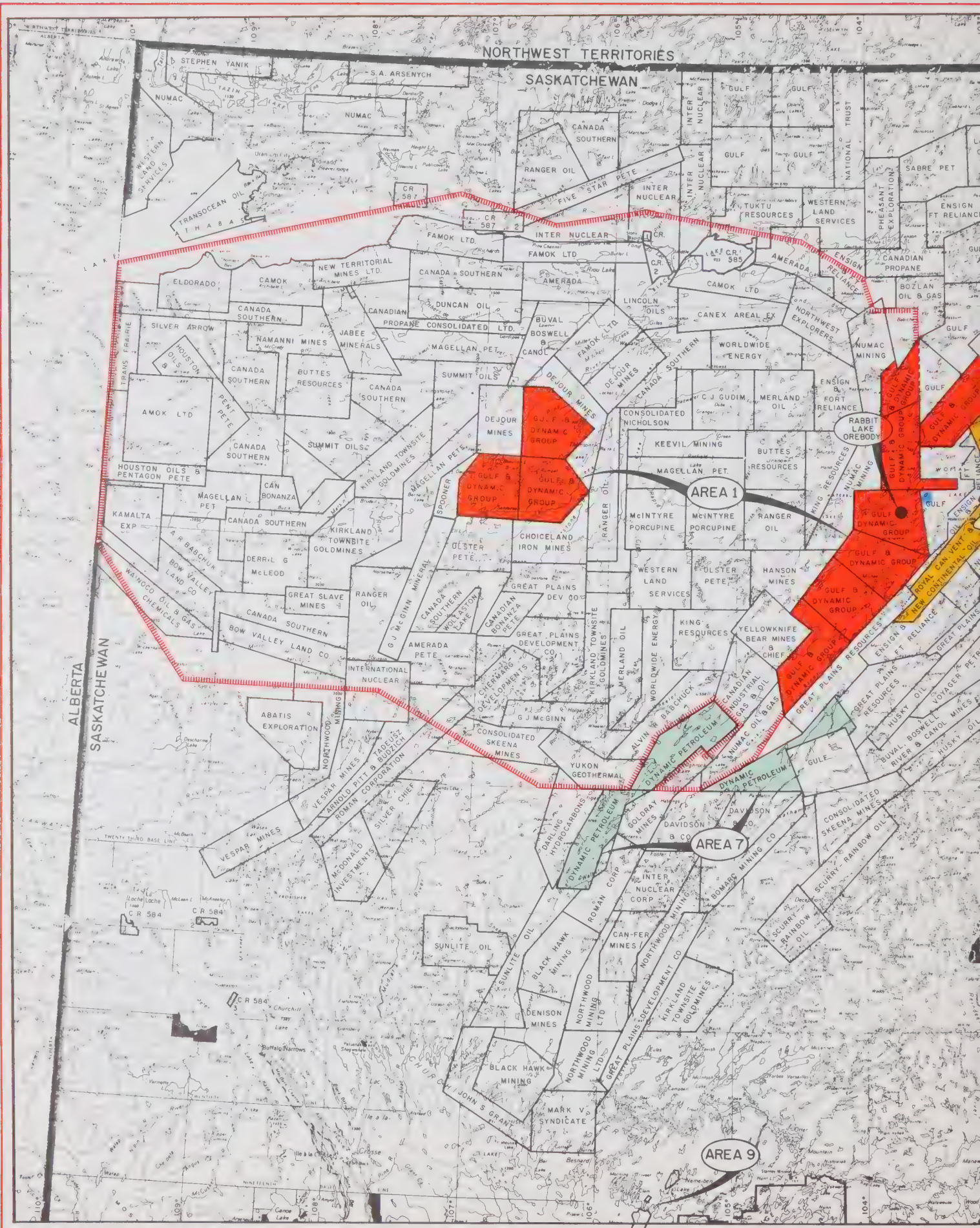
Under the terms of an exploration agreement with Dynamic Mining Exploration Ltd. (No Personal Liability), an associated company, Dynamic Mining must spend \$150,000 on these lands to earn a 40% interest therein. During the latter part of 1969 an airborne survey was conducted by Scintrex over these lands and as a result of this survey, approximately 450 electromagnetic events were evidenced and included in 33 separate systems. Magnetic correlation was recorded in approximately 50 of these 450 conductive events. These conductors will be ground checked and ground geophysical surveys will be conducted during our 1970 work program. At the same time ground geological evaluation of the anomalies will be carried out. Drilling will be conducted as recommended thereafter.

PETROLEUM AND NATURAL GAS - AREA OF INTEREST



This map covering part of the Northwest Territories shows an outline of the Horn River Basin in the Fort Simpson area north of the Alberta border that is currently attracting a great deal of interest on the part of oil companies engaged in the field of exploration. Present indications are that 18 to 21 wells may be drilled in this Basin during this winter's drilling season and locations for

numerous of these have already been announced. Shown hereon are proposed well locations, currently drilling wells and areas 1 to 8 inclusive in which the company's subsidiary, New Continental Oil Company of Canada Limited, and Mill City Petroleum Limited have varying gross overriding royalty interests as indicated.



NORTHWEST TERRITORIES

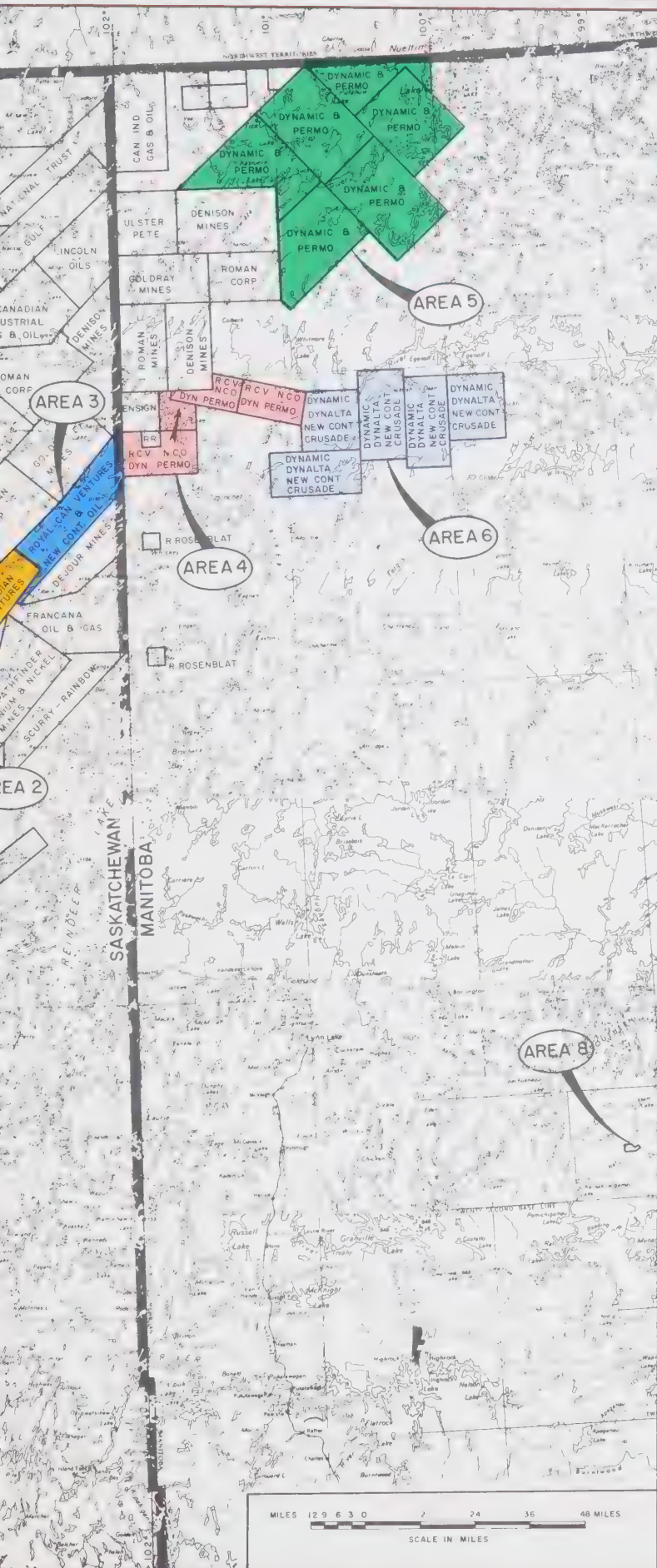
SASKATCHEWAN

ALBERTA
SASKATCHEWAN

AREA 9

AREA 7

AREA 1



WOLLASTON LAKE URANIUM AREA CANADA

AREA



GULF 80% AND THE DYNAMIC GROUP 20%

DYNAMIC PETROLEUM PRODUCTS LTD.
ROYAL CANADIAN VENTURES LTD.
MILL CITY PETROLEUMS LIMITED
CONSOLIDATED EAST CREST OIL COMPANY LIMITED
NEW CONTINENTAL OIL COMPANY OF CANADA LIMITED
CRUSADE PETROLEUM CORPORATION LIMITED
DYNALTA OIL & GAS LTD.



AREA OF COMMON INTEREST as defined under the Gulf - Dynamic Group Agreement — approximately 20,000,000 acres.



ROYAL CANADIAN 20%
NEW CONTINENTAL 20%
EXCEL PETROLEUMS LTD. 40%*
SCURRY-RAINBOW OIL LIMITED 20%**

*Subject to an expenditure of \$1,700,000 in a period of four years or less; otherwise the interest reverts to Royal Canadian and New Continental.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.



ROYAL CANADIAN 20%
NEW CONTINENTAL 20%
SCURRY-RAINBOW 40%*
SCURRY-RAINBOW 20%**

*Subject to an expenditure of \$825,000 in a period of four years or less; otherwise the interest reverts to Royal Canadian and New Continental.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.



ROYAL CANADIAN 10%
NEW CONTINENTAL 10%
DYNAMIC PETROLEUM 16%
PERMO GAS & OIL LIMITED 4%
SCURRY-RAINBOW 40%*
SCURRY-RAINBOW 20%**

*Subject to an expenditure of \$678,500 in a period of four years or less; otherwise the interest reverts to Royal Canadian and New Continental.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.



DYNAMIC PETROLEUM 64%*
PERMO GAS & OIL LIMITED 16%*
SCURRY-RAINBOW 20%**

*Subject to Scurry-Rainbow having the option to earn one half of this interest in 1970.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.



DYNAMIC PETROLEUM 25%*
DYNALTA OIL & GAS CO. LTD. 25%*
NEW CONTINENTAL 25%*
CRUSADE PETROLEUM 25%*

*Subject to the right of Dynamic Mining to earn a 40% interest by spending \$150,000



THE DYNAMIC GROUP 87%
NEW CONTINENTAL 50%
ROYAL CANADIAN 50%
24 Mineral Claims

NOTE 1

The net profits interest retained by the Dynamic Group of Companies under the terms of the Gulf agreement before and after taking into consideration the inter-company share ownership, is shared approximately as follows:

	Direct Interest	Approximate Indirect Interest in Inter-Company Share Ownership	Total
Dynamic Petroleum Products Ltd.	12.50	12.99	25.49
Royal Canadian Ventures Ltd.	12.50	5.00	17.50
Mill City Petroleum Limited	12.50	13.78	26.28
Permo Gas & Oil Limited	—	19.24	19.24
New Continental Oil Company of Canada Limited	12.50	3.57	16.07
Consolidated East Crest Oil Company Limited	12.50	0.26	12.76
Crusade Petroleum Corporation Limited	12.50	0.22	12.72
Dynalta Oil & Gas Co. Ltd.	12.50	0.25	12.75
	87.50	Totals not Applicable	

NOTE 2

Scurry-Rainbow Oil Limited acquired its 20% interest in the various agreements indicated in the legend for a consideration of 15,000 shares of Scurry-Rainbow or \$600,000, and also an undertaking by Scurry-Rainbow to assume and pay 60% of such additional expenditures as may be required up to a maximum of \$5,000,000 on each of the four agreements for a total of \$20,000,000 maximum.

NOTE 3

The permits on this map are in the names of the companies as shown and compiled from information believed to be reliable but not guaranteed.

These permits give the holder the right to explore for all minerals (including uranium) but excepting petroleum and natural gas, coal, and in Saskatchewan, those described as alkali minerals.

Average Permit size - 192,000 acres (300 square miles).

NOTE 4

Permits as at November 30, 1969.

Permo Gas

(Incorporated under

CONSOLIDATED

AUGUST 31, 1969

ASSETS

	1969	1968
CURRENT:		
Cash	\$ 22,323	\$ 127,260
Short term deposits	45,000	7,500
Accounts receivable	232,795	149,926
Marketable securities - at cost (market value 1969 - \$218,368; 1968 - \$78,853)	231,499	93,776
Materials and supplies - at cost	4,703	7,977
	<u>536,320</u>	<u>386,439</u>
DEPOSITS AND OTHER:		
Operating and performance deposits	63,708	70,454
Special 5% refundable tax	—	15,830
	<u>63,708</u>	<u>86,284</u>
INVESTMENTS AND ADVANCES:		
Shares of and advances to wholly-owned subsidiaries at cost less amount written off (Note 1)	17,503	20,004
Shares of Dynamic Petroleum Products Ltd. - 1,025,000 shares at cost (quoted market value 1969 - \$2,808,500; 1968 - \$1,537,000)	2,215,000	2,215,000
Shares of Mill City Petroleums Limited - 75,000 shares at cost (quoted market value 1969 - \$247,500; 1968 - \$100,500)	150,000	150,000
Shares of Dynamic Mining Exploration Ltd. (no personal liability) - at cost	10,000	—
	<u>2,392,503</u>	<u>2,385,004</u>
PROPERTY, PLANT AND EQUIPMENT - AT COST:		
Non-producing properties	414,496	449,928
Producing properties	1,710,596	1,850,220
Producing oil and gas wells	1,098,035	953,665
Production and other equipment	466,835	454,640
	<u>3,689,962</u>	<u>3,708,453</u>
Less accumulated depreciation and depletion	1,121,637	1,000,902
	<u>2,568,325</u>	<u>2,707,551</u>
	<u>\$5,560,856</u>	<u>\$5,565,278</u>

e Laws of Ontario)

with comparative figures at August 31, 1968)

See accompanying notes.

Permo Gas & Oil Limited

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

For the Year Ended August 31, 1969

(with comparative figures for 1968)

	1969	1968
REVENUE:		
Crude oil and natural gas sales	\$ 273,854	\$ 315,702
Less production expenses	98,179	120,165
	175,675	195,537
Royalties	252,139	253,705
Interest and dividends	12,220	22,559
Other	4,744	8,338
	444,778	480,139
EXPENSE:		
Administrative and general	163,109	86,697
Exploratory costs, lease rentals, etc.	108,419	166,387
Property carrying costs	14,100	34,873
Interest	17,102	9,497
Other	—	177
	302,730	297,631
CASH EARNINGS FROM OPERATIONS	142,048	182,508
DEDUCT:		
Depletion	109,840	113,411
Depreciation	19,221	20,600
Abandonments:		
Petroleum and natural gas interests	33,885	41,603
Well development costs	12,812	377,169
	175,758	552,783
ADD:		
Gain on sale of properties	244,702	292,022
Gain (loss) on disposal of plant and equipment . . .	12,413	(14,579)
Gain on sale of securities	11,802	—
	268,917	277,443
PROFIT (LOSS) BEFORE MINORITY INTEREST . . .	235,207	(92,832)
MINORITY INTEREST IN PROFITS AND (LOSSES) OF SUBSIDIARIES	120,005	(23,716)
NET PROFIT (LOSS) FOR THE YEAR (Note 4) . . .	115,202	(69,116)
DEFICIT, beginning of year	7,319,685	7,250,569
DEFICIT, end of year	\$7,204,483	\$7,319,685

Permo Gas & Oil Limited

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended August 31, 1969

(with comparative figures for 1968)

SOURCE OF FUNDS:	1969	1968
Cash earnings from operations	\$ 142,048	\$ 182,508
Sale of properties	250,599	367,458
Decrease in operating and performance deposits . . .	6,746	23,007
Issue of subsidiary's shares on exercise of stock options	27,600	9,000
Repayment of advance to unconsolidated subsidiary . .	2,500	—
Sales of securities	11,803	—
Special refundable tax	15,830	2,752
	<u>457,126</u>	<u>584,725</u>
APPLICATION OF FUNDS:		
Petroleum and natural gas and mining interests	4,350	225,472
Well development costs including dry holes	15,766	438,592
Production and other equipment - net	9,900	18,981
Bank loan net of amount included in current liabilities	187,500	(187,500)
Shares of Dynamic Petroleum Products Ltd.	—	715,000
Shares of Dynamic Mining Exploration Ltd. (no personal liability)	10,000	—
	<u>227,516</u>	<u>1,210,545</u>
INCREASE (DECREASE) IN WORKING CAPITAL . . .	229,610	(625,820)
WORKING CAPITAL, beginning of year	<u>94,337</u>	<u>720,157</u>
WORKING CAPITAL, end of year	<u>\$ 323,947</u>	<u>\$ 94,337</u>

See accompanying notes.

Permo Gas & Oil Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 1969

1. CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries, Consolidated East Crest Oil Company Limited (79.5% owned) and New Continental Oil Company of Canada Limited (56.2% owned). The accounts of the latter company do not include the accounts of its inactive wholly-owned subsidiaries. The parent company's investment in these subsidiaries exceeds their aggregate net assets by \$15,972 at August 31, 1969.

The excess of the cost of the Company's investment in shares of consolidated subsidiaries over its equity in the net assets of the subsidiaries at dates of acquisition has been included in property, plant and equipment.

2. ACCOUNTING POLICY

The companies' policy is to capitalize the acquisition costs of petroleum and natural gas and mining interests together with development costs thereon. Carrying costs and exploration expenses are charged against income as incurred. Acquisition costs of producing properties together with related development costs and production equipment are written off on a unit of production method based on estimated recoverable reserves. The costs of non-producing properties and unproductive development are charged against income in the year of abandonment.

3. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The companies bear a portion of the total remuneration paid to their directors and senior officers who are paid by an affiliated company. The amount of such remuneration allocated to the company during the year amounted to \$38,343 and is included in administrative and general expense.

4. INCOME TAXES

For income tax purposes, the companies are entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances (depreciation) in amounts which exceed the related charges against earnings. As a result, no income taxes are payable for the current year and, subject to the outcome of the income tax matters described in Note 5, at August 31, 1969 accumulated expenditures remain to be carried forward and applied against future income as follows:

Drilling, exploration and lease costs	\$806,000
Undepreciated capital cost	\$161,000

The Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in the timing of deductions for tax and accounting purposes which originate in the financial years commencing on or after January 1, 1968. The companies do not believe the tax allocation in respect of drilling, exploration and lease acquisition costs is appropriate and many other companies in the oil and gas industry in Canada are in agreement with this opinion. Accordingly, no provision has been made for deferred taxes on timing differences involving such costs. For 1969, capital cost allowances claimed will not exceed depreciation provided in the accounts. Opinion Number 11 of the Accounting Principles Board of the American Institute of Certified Public Accountants does not require tax allocation on timing differences arising from intangible development costs in the oil and gas industry at this time.

Had provision for deferred income taxes been made with respect to all differences in timing of deductions for tax and accounting purposes the provision for deferred income taxes and the resulting decrease in the net profit for the year ended August 31, 1969 would have been approximately \$4,000. The accumulated income tax deferrals relative to all timing differences amount to approximately \$233,000 at August 31, 1969.

5. CONTINGENCY

Subsequent to August 31, 1969, the Department of National Revenue has indicated that it may make certain adjustments to the income tax returns of one of the subsidiary companies (New Continental Oil Company of Canada Limited) as filed in 1968 and prior years. The result of the proposed adjustments would be that income taxes of approximately \$250,000 including interest would become payable, of which \$244,000 would apply to 1967 and prior years and \$6,000 to 1969. The Company believes that the proposals of the Department are without merit and will contest any assessments that may be levied.

AUDITORS' REPORT

To the Shareholders of

Permo Gas & Oil Limited

We have examined the consolidated balance sheet of Permo Gas & Oil Limited and its subsidiaries as at August 31, 1969 and the consolidated statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to the ultimate outcome of the income tax matters discussed in note 5 to the financial statements, these consolidated financial statements present fairly the financial position of the companies as at August 31, 1969, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants.

Calgary, Alberta
November 6, 1969

COMBINED ACREAGE HOLDINGS
of
PERMO GAS & OIL LIMITED
NEW CONTINENTAL OIL COMPANY OF CANADA LIMITED
CONSOLIDATED EAST CREST OIL COMPANY LIMITED
(Varying Interests)

at AUGUST 31, 1969

PETROLEUM AND NATURAL GAS INTERESTS

PRODUCING P&NG LEASES	ACREAGE	INT. %	FARMEE OR OPERATOR
Alberta			
Fairydell	160	33.3333	Union Oil Company of Canada
Lochend	1,440	29.2308	New Continental
Lochend	160	15.8333	" "
Lochend	160	14.6154	" "
Rainbow	320	33.3333	" "
Rainbow	480	66.6666	" "
Saskatchewan			
Doddsland	960	100.	New Continental
	<u>3,680</u>		
UNITIZED		TRACT FACTOR	
Alberta			
Turner Valley Unit No. 7	100	1.0875	Gulf Oil Canada
Homeglen Rimbey Unit No. 1	160	.0074	Chevron Standard Limited
Pembina Cardium Unit No. 31	2,240	2.8584	Western Decalta Petroleum
Leduc Woodbend D-2A Unit	160	1.307	Imperial Oil Ltd.
Swan Hills Inverness Unit No. 1	640	.5537	Home Oil
Joarcam Unit No. 3	160	.6254	Imperial Oil Ltd.
Saskatchewan			
Eagle Lake Viking Voluntary Unit	864	5.2508	Imperial Oil Ltd.
	<u>4,324</u>		
P&NG LEASES		INT. %	
Alberta			
Leduc	160	3.75	GOR Excel Petroleum Ltd.
Purple springs	80	1.5	GOR Brett Oils Ltd.
British Columbia			
Milligan Creek	32,820	2.	GOR Union Oil of Canada
Milligan Creek	41,036	2.5	GOR " " "
	<u>74,096</u>		
P&NG LEASES			
British Columbia			
Fort St. John		90. deferred net income	Pacific Petroleum

Interest percentages, unless otherwise noted, are working interests.

GOR - Gross Overriding Royalty.
NPI - Net Profits Interest
NCI - Net Carried Interest

NON-PRODUCING

P&NG LEASES

	ACREAGE	INT. %	FARMEE OR OPERATOR
Alberta			
Boundary Lake	1,064	12.5	Western Decalta Petroleum
Cyn-Pem	7,837	21.06	" " "
Cyn-Pem	320	40.	Ashland Oil
Cyn-Pem	480	20.	Western Decalta Petroleum
Cyn-Pem	1,600	11.76	" " "
Cyn-Pem	640	25.	Ashland Oil
Edson	1,760	20.	Mic Mac Oils
Lanaway	480	50.	Western Decalta Petroleum
Lochend	3,072	29.2308	New Continental
McLeod River	8,154	40.	Western Decalta Petroleum
Rainbow	480	66.6666	New Continental
Rainbow South	320	40.	" " "
Virginia Hills East	5,755	50.	Canadian Superior Oil
Steele Lake	640	40.	Mill City Petroleum Ltd.
South Thurston Lake	3,520	25.	Gulf Oil Canada
Sturgeon Lake	640	25.	Western Decalta Petroleum
Saskatchewan			
Bone Creek	320	33.3333	Canadian Superior Oil Ltd.
Dodsland	154	100.	New Continental
Southwest Saskatchewan	22,878	4.2456	Canadian Superior Oil Ltd.
Southwest Saskatchewan	320	25.	" " "
Stoughton	320	33.3333	" " "
British Columbia			
Boundary Lake	160	10.	Western Decalta Petroleum
Buick Creek	5,163	12.5	" " "
Buick Creek	326	6.25	" " "
	<u>66,403</u>		

P&NG LEASES, RESERVATIONS, PERMITS

	ACREAGE	INT. %	FARMEE OR OPERATOR
Alberta			
Conrad	1,600	3.	GOR Bozlan Oil
Grand Prairie	5,102	.625	GOR French Petroleum
Hondo	17,760	2.5	GOR Seafort Petroleum
Lochend	640	3.	GOR Canadian Superior Oil Ltd.
McGregor Lake	160	2.5	GOR Transalta Minerals
McLeod River	49,710	1.	GOR Hudson's Bay Oil and Gas
Purple Springs	240	1.	GOR Brett Oils Ltd.
Red Coulee	1,760	2.	GOR Border Exploration
Red Coulee	320	4.	GOR " "
Red Coulee	480	1.	GOR " "
Savanna Creek	39,200	2.5	GOR Shell Canada
Zama West	3,840	1.2	GOR Amoco Canada Petroleum
British Columbia			
Aitken Creek	50,454	1.	NPI Union Oil of Canada
Toad River	35,920	.8333	NCI Amoco Canada Petroleum
Saskatchewan			
Cabri	477	.4166	GOR Anadarko Petroleum
Cabri	1,436	.2084	GOR " "
Cabri	798	.8334	GOR " "
Sask. 4-Way Group	800	.625	GOR Canadian Superior Oil Ltd.
Northwest Territories	544,529	3.	GOR Western Decalta Petroleum
Alaska	35,240	.5	GOR Home Oil Company
Alaska	170,829	7.5	NCI " "
	<u>961,295</u>		

BITUMINOUS SANDS LEASE

Alberta	<u>22,054</u>	10.	NCI Syncrude Canada Ltd.
-------------------	---------------	-----	--------------------------

MINERAL INTERESTS

BRITISH COLUMBIA	NUMBER	INT. %	FARMEE OR OPERATOR
CLAIMS			
B Group	30	28.5714	Royal Canadian Ventures Ltd.
Babine Lake	28	"	" " " "
Chuchi	52	"	" " " "
Crescent Lake	4	"	" " " "
Dardanelles Lake	18	"	" " " "
Eagle Creek	40	"	" " " "
East Barriere Lake	117	"	" " " "
Forest Grove	16	"	" " " "
Frederick Siding	36	"	" " " "
Harper Creek	10	"	" " " "
Iron Mask	68	"	" " " "
Kamloops Lake	44	"	" " " "
Mag	24	"	" " " "
Mons Lake	174	"	" " " "
Niskonlith Creek	32	"	" " " "
Nulki Hills	16	"	" " " "
Ootsa Lake	40	"	" " " "
Roger Lake	42	"	" " " "
Shelford Hills	18	"	" " " "
Spring Lake	16	"	" " " "
Tetachuck Lake	20	"	" " " "
Windfall Hills	32	"	" " " "
	<u>877</u>		
LEASES			
Iron Mask	<u>2</u>	28,5714	Royal Canadian Ventures Ltd.
SASKATCHEWAN	ACREAGE	INT. %	FARMEE OR OPERATOR
PERMITS			
Wollaston Lake	1,820,366	25% interest in 20% defined net profits interest	Gulf Minerals Company
Wollaston Lake	555,800	25.	New Continental
Wollaston Lake	345,000	20.	Westburne Petroleum & Minerals
Wollaston Lake	192,000	40.	Scurry-Rainbow Oil Limited
CLAIMS			
Wollaston Lake	24 cl. 50.		Royal Canadian Ventures Ltd.
CLAIM BLOCKS			
Head Lake	27,635	28.5714	New Continental
MANITOBA			
RESERVATIONS			
Misty Lake	237,990	28.	Scurry-Rainbow Oil Limited
Jackfish Lake	601,867	25.	Dynamic Mining Exploration
Kasmere Lake	1,110,500	16.	Sunlite Oil Company
NORTHWEST TERRITORIES			
PERMITS			
Baker Lake	337,010	11.4286	Petrobec Limited
Baker Lake	333,960	4.5714	New Continental Oil Company
CLAIMS			
Hjalmar Lake	269 cl. 28.5714		Canadian Superior Exploration
MONTANA			
COAL PROSPECTING PERMIT			
Flathead	5,085	10.	New Continental

